

City of Louisville

SALESTAX & LICENSING DIVISION
SALESTAX SESSION

City Taxpayer Service Office

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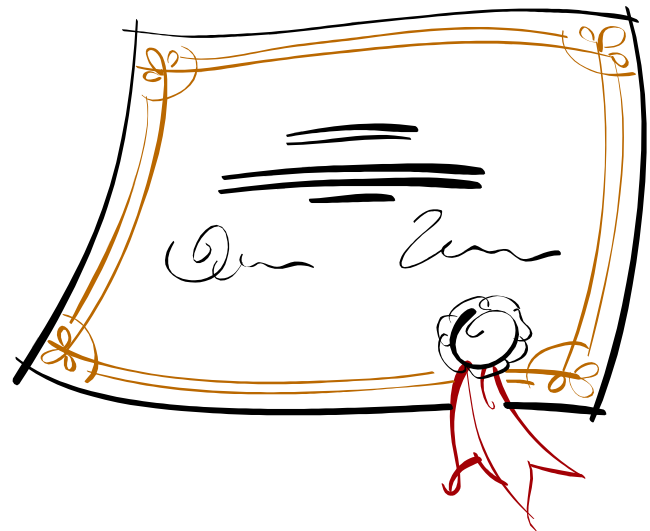
Topics

- Licensing
- Tax rates
- Sales tax definitions
- Taxable and exempt transactions
- Charging and collecting taxes
- Calculation & remittance of taxes
- Recordkeeping
- Enforcement
- Resources



City Licensing Requirements

- All businesses located in the City of Louisville, conducting sales in the City, or that regularly deliver into the City, are required to have a Sales/Use Tax License
- The fee is \$25 annually
- On-Line renewal available



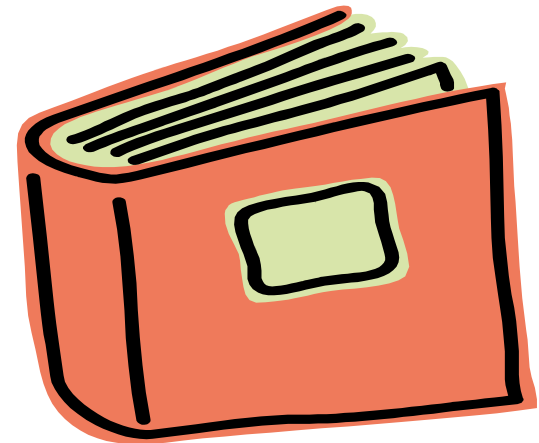
Tax Rate

Combined sales tax rate:

- 2.9% State of CO
- 1.1% RTD/CD
- 0.8% Boulder County
- 3.5% City of Louisville
- 8.3% Total

Louisville Sales/Use Tax Ordinance Highlights

- One comprehensive document
- List of taxable and exempt transactions
- Recordkeeping
- Penalties and interest
- Licensing and renewal
- Administration



Sales Tax - Definition

- When tangible personal property or taxable services defined in the Louisville Municipal Code are sold or provided to an end user, sales tax must be collected by the seller.
- Who is the end user? When a transaction takes place and the purchaser has no intent of re-selling the item(s) purchased, the purchaser is considered the end user.

Sales Tax

Sales Tax Added to the Price

Retailers must add the sales tax due to the taxable purchase price and show the tax as a separate and distinct item. The only two exceptions are the sales of liquor by the drink and items sold through coin-operated vending machines for which the tax may be included as part of the purchase price.

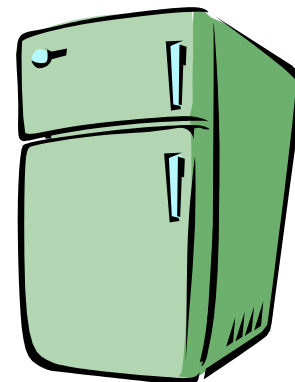
Every retailer must remit sales tax equal to the total taxable sales for the reporting period. The taxable sales (less sales tax) should be multiplied by the City tax rate and the tax remitted, even if the retailer did not collect as much as is owed.

Sales Tax

Sales Tax is Transactional

Sales and use tax are transactional taxes, meaning that each time an item is sold, transferred or similar transaction, to a different user, consumer or owner, the item is subject to tax.

Let's use a refrigerator as an example of multiple taxable transactions.



Sales Tax

1. When a new refrigerator is purchased from a retailer for \$1,000, the retailer must charge the purchaser sales tax on the \$1,000.
2. Two years later, the purchaser sells the refrigerator to a used appliance dealer for \$500. The purchase by the used appliance dealer is a wholesale purchase for resale and no tax is due.
3. When the used appliance dealer sells the used refrigerator to a machine shop for \$700, he must charge and collect sales tax on the \$700.
4. The machine shop goes out of business and all the assets of the business are put up for sale at auction. The auction company sells the refrigerator for \$250 to the highest bidder. The auction company must charge and collect sales tax on the \$250.

Taxable Transactions

(purchased in the City or delivered into the City)

- Auctions
- Automotive vehicles
- Charitable organization & Government sales
- Combined personal property rentals with operator service
- Computer programs or software
- Construction materials (purchased without a building permit)
- Customized computer programs or software (when resold or not charged at an hourly rate)
- Exchanged property
- Food and drink
- Freight and delivery (when not separately stated)
- Gas and electric services
- Linen services

Taxable Transactions (Cont.)

- Machinery and machine tools in excess of \$500 used directly in manufacturing
- Maintenance services and agreements
- Pay television services
- Prefabricated goods and materials
- Security systems services
- Tangible personal property:
 - Whether or not such property has been included in a previous taxable transaction
 - When purchased for use without payment of the sales tax and used, stored, or consumed inside the city either personally or in conjunction with the rendering of a service
 - When purchased at wholesale and subsequently used by the taxpayer, either personally or in the business
 - Includes business assets
 - Includes rentals/leases
 - Includes internet sales

Taxable Transactions (Cont.)

- Telecommunication services
- Telecommunications equipment
- Vending machine sales

Sales Tax Exempt Transactions

- ▶ Access services
- ▶ Nonresident motor vehicles
- ▶ Agricultural commodities
- ▶ Charitable organization purchases
- ▶ Cigarettes
- ▶ Construction materials (when purchased with a building permit)
- ▶ Customized computer programs or software (when billed on an hourly rate)
- ▶ Drugs (prescription)
- ▶ Factory built housing
- ▶ Farm close-out sales
- ▶ Food (when purchased w/WIC food stamps)

Sales Tax Exempt Transactions (Cont.)

- ▶ Garage sales
- ▶ Industrial use utilities
- ▶ Internet access services
- ▶ Labor
- ▶ Livestock/Livestock feed
- ▶ Manufacturing or compounding
- ▶ Medical supplies
- ▶ Motor fuels
- ▶ Newspapers
- ▶ Packaging materials
- ▶ Prescription drugs for animals
- ▶ Private communication services
- ▶ Prosthetic devices
- ▶ Sales tax paid to another city
- ▶ Sales to public utility or railroad

Sales Tax Exempt Transactions (Cont.)

- ▶ Rentals or leases of inventory (purchases)
- ▶ Sales for delivery outside the city
- ▶ Therapeutic devices
- ▶ U.S. government
- ▶ Wholesale sales

Sales Tax-Exempt Organizations

- How do you know if an entity is tax-exempt?
- You are responsible to determine if a state-issued tax exemption certificate is valid, and if it isn't, you will be responsible to pay the sales tax
- Exemption certificates or sales tax license (resale) numbers (Items being purchased tax-exempt must be for goods related to the purchasers business)
- If you don't have satisfactory documentation, charge the tax or don't make the sale!
- <https://www.colorado.gov/revenueonline>



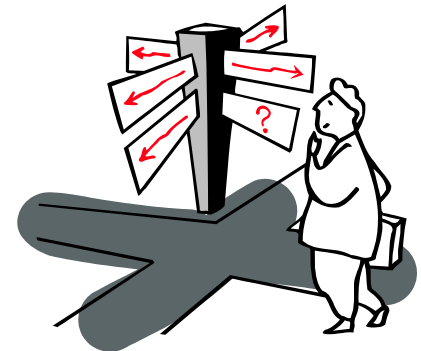
Sales Tax-Exempt Purchasing

- What types of government, non-profit or charitable payments are permitted?
 - Charitable purchase over \$100, must be made using charitable funds.
 - Local government purchases must be made with a purchase card “P-Card”
 - State and Federal use multiple purchase cards (may be best to use affidavit for purchase).

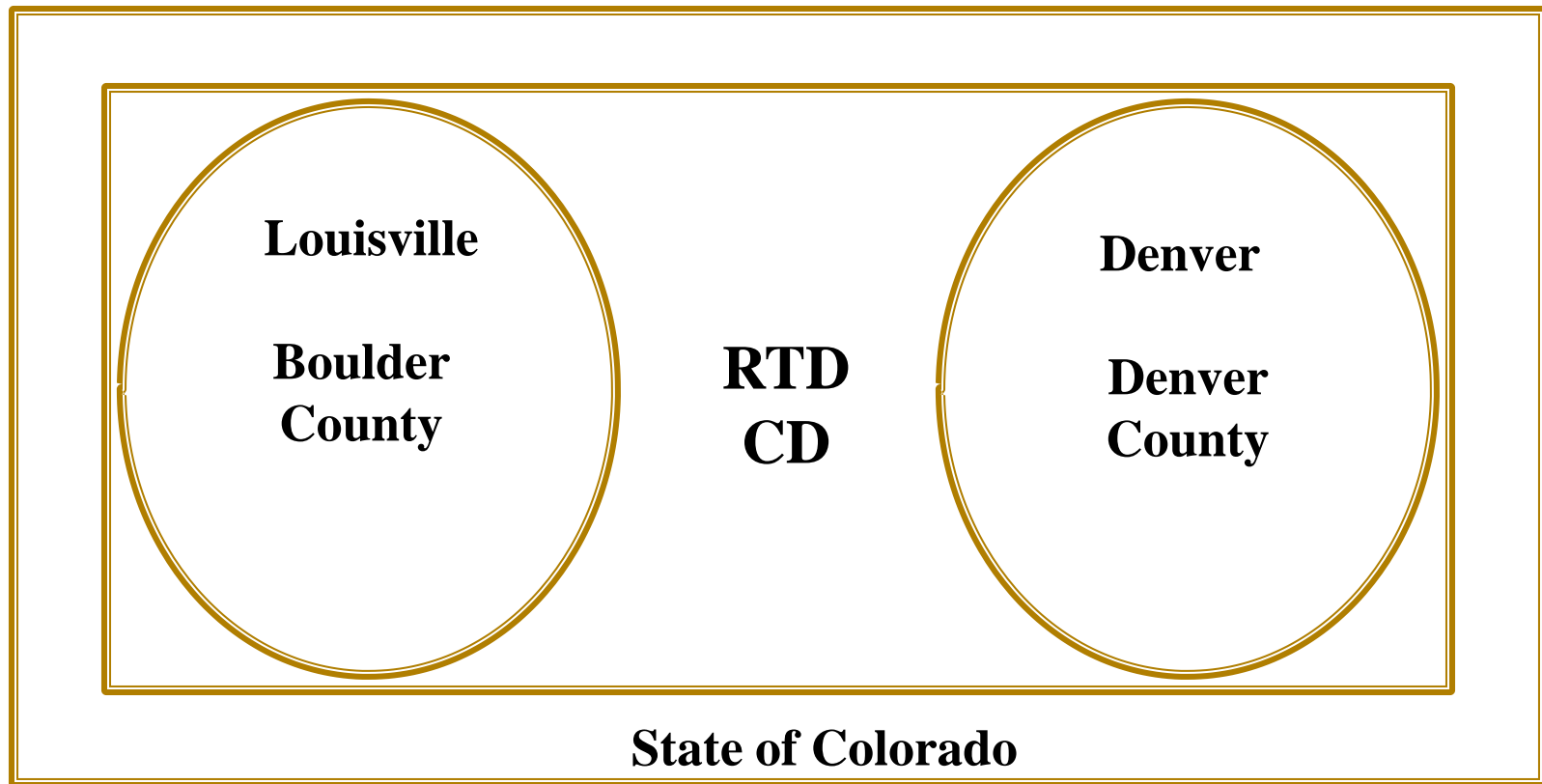


Charging Sales Tax - Nexus

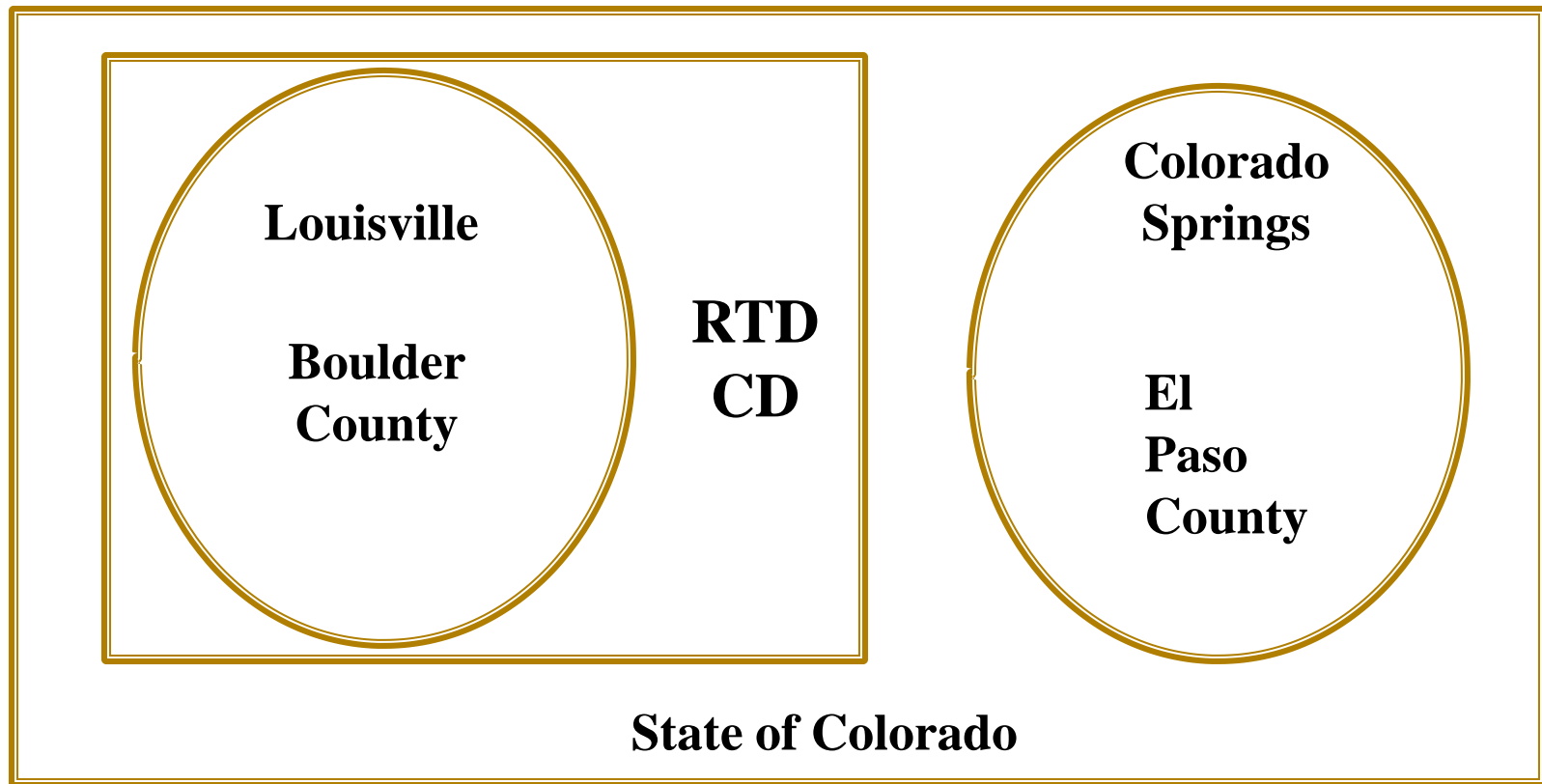
- Sales tax is based on the physical location of the purchaser
- Minimum amount of sales tax you are required to collect or should be charged (“shared tax”)
- Seller is responsible to collect and remit sales tax
- DRP 1002 State of Colorado - Sales Tax Rate Publication
- When in doubt, collect the sales tax



Shared Tax Collection

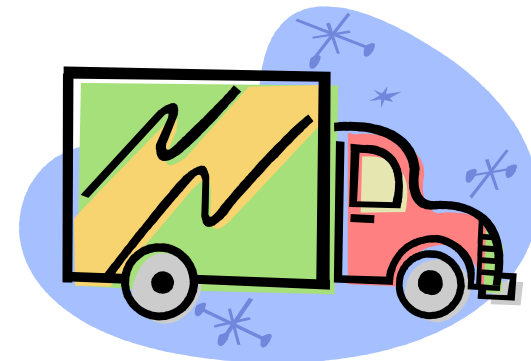


Shared Tax Collection



Taxing Examples - Delivery

- In-State purchase of a \$2,000 copier for delivery to Louisville:
 - **Denver** vendor should charge 4% or \$80 (2.9% state, 1.1% RTD/CD)
 - **Superior** vendor should charge 4.8% or \$96 (2.9% state, 1.1% RTD/CD, 0.80% Boulder County)
 - **Fort Collins** vendor should charge 2.9% or \$58 (2.9% state)
- Out-of-State purchase of a \$2,000 copier, On-line, by Catalog or Phone for delivery to Louisville:
 - No tax (no nexus)
 - 2.9% or \$58 (nexus in State)
 - 4% or \$80 (nexus in State & RTD/CD)
 - 8.3% or \$166 (nexus in Louisville or voluntary collector of sales tax)



Deliveries Outside the City

The Louisville Municipal Code (LMC) imposes a sales tax on tangible personal property and certain taxable services sold at retail within the City. Items delivered outside of the City are exempt from Louisville sales tax when *all* of the following conditions are met:

- ✓ The sales are to those who reside or do business outside the City and such articles delivered are used outside the City.
- ✓ The articles purchased are delivered to the purchaser outside the City by common, contract or commercial carrier employed by the seller to effect delivery, or by the seller's vehicles or by mail, but at all time at the seller's expense.
- ✓ The seller retains full ownership and liability for all articles being delivered to the destination outside the City.

Deliveries Outside the City

Examples

- **Denver Business A** purchases a new lathe from Louisville Business B and Denver Business A sends its company truck to pick up the lathe in Louisville. Louisville Business B should charge Louisville sales tax on the purchase price of the lathe because title of the lathe transferred in Louisville.
- **Boulder Business X** purchases new warehouse shelving from Louisville Business Y. The Boulder business contracts with a third-party freight company to pick up the shelving and deliver it to their new warehouse in Longmont. Louisville Business Y should charge Louisville sales tax on the purchase price of the shelving because title of the shelving transferred in Louisville.

Deliveries Outside the City

Examples

- *Superior Resident C* purchases new outdoor furniture from Louisville Retailer D and has it delivered to their home in Superior. Louisville Retailer D should not collect Louisville sales tax on the transaction because the goods are being delivered outside of Louisville and the retailer maintains ownership of the goods until delivered.
- *The same Superior Resident C* purchases other decorative accessories at the same time the outdoor furniture is purchased from Louisville Retailer D, but takes the decorative accessories home with them. Louisville Retailer D should charge Louisville sales tax on the selling price of the accessories because the ownership of the goods transferred in Louisville.

Tax Considerations

- Nexus and point of sale (POS) are part of the equation to determine the applicable tax to be charged
- Is the city home rule or statutory?
- How are the goods or services conveyed to the purchaser?
- Is freight or shipping & handling fees taxable?
- If your company delivers goods outside the City or State, make sure you maintain a copy of the signed delivery receipt
- When would you charge sales tax on items delivered outside the city?
- If you regularly make sales into other cities, find out what they tax and what their licensing requirements are
- You can be audited by another city for non-payment of sales tax
- If non-taxable services, freight or other fees are billed lump sum, the entire invoice amount is taxable

Review of Sample Tax Return

- **Yummy Grocery**
 - **Total Sales \$870,000 & Service Revenue \$10,000**
 - **Collected Bad Debt \$100**
 - **Sales to the Mini-mart for Resale \$2,000**
 - **Checks That Were Returned for NSF \$200**
 - **Cigarette Sales \$10,000**
 - **Sales to Government & Charitable Organizations \$1,000**
 - **Returned Goods \$100**
 - **Newspaper Sales \$600**
 - **Amount of City of Louisville Tax Collected \$29,979**
 - **Purchased a \$1,000 Floor Polisher without Paying Sales Tax**

Gross Sales & Services

- **Gross Sales & Gross Service Revenue**
 - Includes sales that are not subject to sales tax
 - Includes service revenue that is not subject to sales tax
 - Includes TPP rental & leasing income
- **Bad Debt Collection**
 - Bad debt collections must be reported on tax return and appropriate tax paid
- These items are to be added and included on Line 2B of the City of Louisville Sales Tax Return

Deductions – Calculations

- Service Sales (labor)
- Sales to Licensed Dealers (wholesale)
- Sales shipped out of Louisville
- Bad Debts
 - Bad debts on which tax was previously paid may be deducted on tax return
 - Y/E bad debt write-off
- Trade-ins for Taxable Resale
- Gasoline and Cigarettes
- Sales to Governmental, Religious and Charitable Organizations (with proper documentation)

Deductions – Calculations (Cont.)

- Returned Goods (on which tax was previously paid)

(What is your company's refund policy and how do you handle tax on refunds?)
- Prescription Drugs/Prosthetic Devices
- Other (e.g. newspapers, gift certificates)
- What if you collect the wrong tax rate? (excess tax)
- Use Tax
- Final Calculations

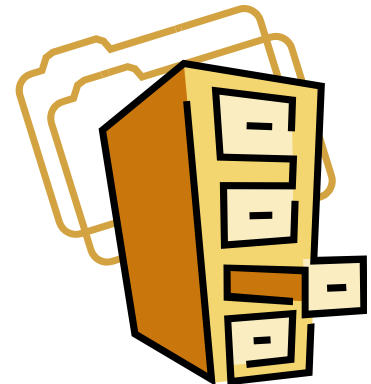
On-Line Business/Tax Manager

- You can:
 - Renew your City license
 - Use the self-calculating tax return
 - Remit a zero return
 - Remit a tax return and make payment up to \$100
 - Update your business contact information
 - Print a copy of your license
 - View your payment history



Recordkeeping

- Tax returns must be postmarked (by the post office) on or before the due date
- All tax returns are due on the 20th day of the month following your filing period.
- Documents you are required to retain for sales tax audit purposes
- Exemption certification or resale (sales tax) licenses
- Signed delivery receipts
- Period of retention for documents



Louisville – Penalties, Interest and Enforcement

- Penalties and interest – 10% and 1%
- Collection and enforcement fees
(assessments, liens)
\$25 and \$40
- County Certification
- Municipal Court Summons
- Distrain Warrant/Seizure



How is the Sales/Use Tax Used?

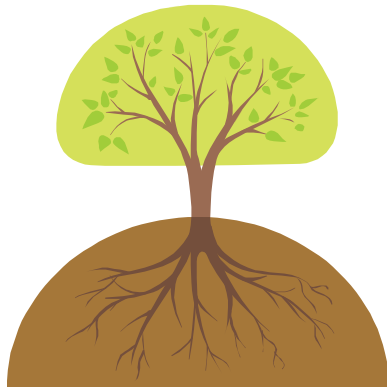
Sales Tax/Consumer Use Tax

2% - General Fund

1% - Capital Projects

.375% - Conservation Trust (Land)

.125% - Historic Preservation



Building Use Tax

3% - Capital Projects

.375% - Conservation Trust (Land)

.125% - Historic Preservation

Auto Use Tax

3% - General Fund

.375% - Conservation Trust (Land)

.125% - Historic Preservation

Web Site Resources

- [City of Louisville - www.louisvilleco.gov](http://www.louisvilleco.gov)
 - Ordinances
 - Tax Guide **New!**
 - Sales/Use Tax License application
 - Home Occupation Regulations
- Self-calculating and blank Sales Tax Return forms
 - City sales tax rates and breakdown
 - Vendor rate chart
- Listings of registered or licensed businesses
 - Revenue reports

State Web Site Resources

Colorado Department of Revenue

www.taxcolorado.com

- Forms/applications
 - Tax rates
 - Online services
 - Tax classes
 - FYI publications
- Verify tax rates or license numbers
 - File zero returns

Thank you for attending today!!

- Do you have any questions?
- Please take a few minutes to fill out the evaluation form in your handouts.
- Your feedback is greatly appreciated!!

